

**PUBLIC DISCLOSURE**

OCTOBER 24, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CITY OF BOSTON CREDIT UNION**

ROOM 242, CITY HALL  
BOSTON, MA 02201

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

|              |  |
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| <b>NOTE:</b> | This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution. |
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **CITY OF BOSTON CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **OCTOBER 24, 2005**. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

City of Boston Credit Union is an industrial credit union; therefore it defines its assessment area as its members. The overall rating is comprised of three performance criteria of the small institution examination procedures: Loan-to-Share Ratio, Lending to Borrowers of Different Incomes and Response to Consumer Complaints and Fair Lending Policies and Practices.

The Credit Union's average net loan-to-share ratio for the period of September 30, 2003 to June 30, 2005 was 74.3 percent and met the standards for satisfactory performance. The Credit Union's distribution of credit among different income levels is reasonable and considered to meet the standards for satisfactory performance. In addition, the Credit Union's fair lending performance was found to be satisfactory at the time of the examination and no CRA complaints were received since the previous examination.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

City of Boston Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1915. City of Boston Credit Union defines its members as the City of Boston employees, the Credit Union's employees, employees of the Commonwealth of Massachusetts, retired persons of these entities, as well as the immediate families of these qualified members. As of June 30, 2005, the Credit Union had assets of approximately \$211 million with loans comprising of 60.7 percent of all assets, or a total of approximately \$128.1 million. The Credit Union's loan portfolio is mainly comprised of first residential mortgages, unsecured loans/lines of credit and new vehicle loans.

The following chart illustrates the composition of the loan portfolio.

| <b>Loan Distribution as of June 30, 2005</b> |                         |                    |
|--|-------------------------|--------------------|
| <b>Loan Type</b>                             | <b>Dollar Amount \$</b> | <b>Percent (%)</b> |
| Unsecured Loans/Lines of Credit              | 35,767,751              | 27.5               |
| New Vehicle Loans                            | 11,938,915              | 9.2                |
| Used Vehicle Loans                           | 1,762,394               | 1.4                |
| First Mortgage Real Estate Loans/Lines       | 73,095,181              | 56.2               |
| Total Other Real Estate Loans/Lines          | 6,123,805               | 4.7                |
| All Other Loans/Lines of Credit              | 1,267,085               | 1.0                |
| Less: Allowance for Loan & Lease Losses      | (1,809,815)             | 0.0                |
| <b>TOTAL</b>                                 | <b>128,145,316</b>      | <b>100.0</b>       |

Source: Report of Condition

City of Boston Credit Union's administrative office is located at 1 Union Street Boston, Massachusetts. The Credit Union operates two branch offices. City of Boston Credit Union's main office is located at Room 242 City Hall Boston, Massachusetts and its additional branch is at 1010 Morrissey Blvd. Dorchester, Massachusetts. The Credit Union has 9 Automated Teller Machines ("ATM"s) located throughout Boston.

Services and hours of operation are Monday through Friday from 9:00 AM to 4:00 PM at the main office and 8:00 AM to 5:00 PM Monday through Friday and Saturday 8:00 AM to Noon at the Dorchester Branch.

The Division last examined City of Boston Credit Union for compliance with CRA on February 4, 2000. The Credit Union's CRA performance was rated Satisfactory at that time.

### ***Parity Powers***

In April 2005, City of Boston Credit Union applied for and received approval from the Division to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. Those parity powers that may impact the Credit Union's CRA performance are as follows:

- First lien residential mortgage loans up to 97% loan-to-value up to \$500,000 for a term up to 30 years pursuant to 209 CMR 50.06(3)(j)1 and 209 CMR 50.06(3)(k)2

## **PERFORMANCE CONTEXT (CONTINUED)**

- Second lien or non-purchase first lien closed-end home equity residential mortgage loans up to \$100,000 for a term up to 20 years pursuant to 209 CMR 50.14(3)(i)
- Second lien or non-purchase first lien open-end home equity residential mortgage loans up to \$100,000 for a term up to 20 years pursuant to 209 CMR 50.14(3)(j)
- Mortgage loan programs of public instrumentalities in accordance with the terms of the Massachusetts Housing Partnership Fund and the Massachusetts Housing Finance Agency pursuant to 209 CMR 50.16(3).

In August 2000, City of Boston Credit Union applied for and received approval for additional parity powers. Those parity powers that may impact the Credit Union's CRA performance are as follows:

- Personal loans up to \$40,000 for a term up to 12 years pursuant to 209 CMR 50.06(3)(e)
- Automobile and motorcycle loans in an amount up to 100% of the value of the collateral up to \$75,000 for a term no to exceed the lesser of 12 years or the useful life of the automobile or motorcycle pursuant to 209 CMR 50.06(3)(f)
- Lines of credit up to a \$40,000 maximum pursuant to 209 CMR 50.06(3)(g)
- Home improvement loans not to exceed \$150,000 for a term up to 20 years pursuant to 209 CMR 50.06(3)(i)<sup>1</sup>
- Manufactured home loans not to exceed \$300,000 for a term not to exceed 20 years or the useful life of the manufactured home, whichever is less, pursuant to 209 CMR 50.06(3)(i)<sup>2</sup>
- Boat, camper or trailer loans not to exceed \$50,000, for a term not to exceed 20 years or the useful life of the collateral, whichever is less, pursuant to 209 CMR 50.06(3)(i)<sup>3</sup>
- 40-year first lien mortgage loans up to \$700,000 on one-to-four-family residential property pursuant to 209 CMR 50.06(3)(j)
- 95% loan-to-value first lien residential mortgage loans pursuant to 209 CMR 50.06(3)(k)

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area**

City of Boston Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA Regulation, 209 CMR 46.41(8), which states: "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." The Credit Union has elected to identify its assessment area in this manner.

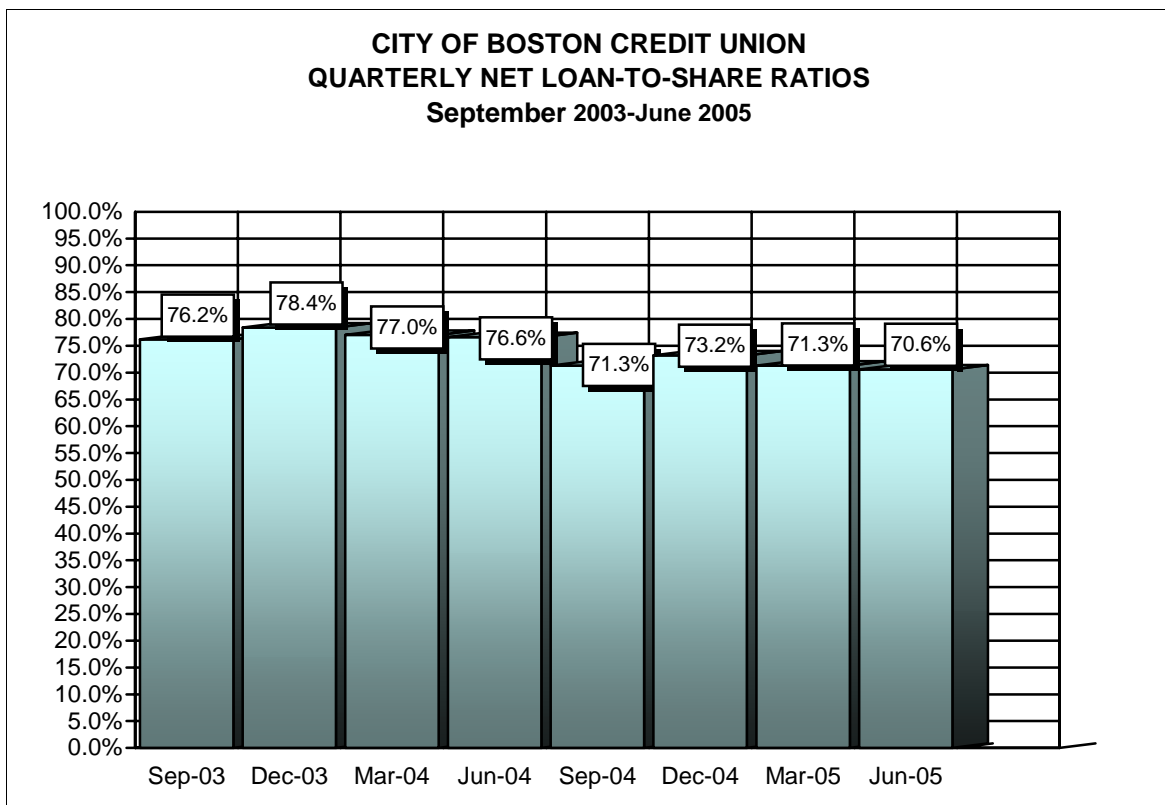
The Credit Union's membership (as incorporated in its by-laws) is open to all employees of the City of Boston, Commonwealth of Massachusetts, retired persons of these entities, and employees of the Credit Union, as well as the immediate families of these qualified members.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of its members, the Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards of satisfactory performance.

An analysis of City of Boston Credit Union's net loan-to-share ("LTS") ratios was performed using National Credit Union Administration ("NCUA") quarterly call reports from September 30, 2003, through June 30, 2005. This analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its members. The ratios during this time period ranged from a high of 78.4 percent in December 2003 to a low of 70.6 percent in June 2005. The average net LTS ratio for the period was 74.3 percent. The following graph illustrates the net LTS detail for the period reviewed.



### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

City of Boston Credit Union defines its assessment area as its membership, as opposed to a geographic area. A membership defined assessment area does not consider any fixed limits on geography. Therefore, an evaluation of credit extended inside and outside of the assessment area was not conducted such an analysis would not be meaningful.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **3. LENDING TO BORROWERS OF DIFFERENT INCOMES**

The distribution of residential loans to borrowers of different incomes reflects reasonable penetration among all income levels. Based upon this analysis, the Credit Union's efforts meet the standards for satisfactory performance.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows loans originated and categorized by the applicants' reported income for the Metropolitan Statistical Area ("MSA") in which the property is located. Loans extended to borrowers with incomes within the upper-income level represented the largest individual category with 43.6 percent of the total number for the period reviewed. Loans extended to borrowers of low and moderate-income represented 3.8 percent and 17.8 percent of loans originated, respectively. Loans to borrowers of middle-income were 34.1 percent of the total number. The following table provides a breakdown of residential loans originated by number and percentage categorized by the applicants' income level.

| <b>Median<br/>Family<br/>Income Level</b> | <b>2003</b> |              | <b>2004</b> |              | <b>Total</b> |              |
|---|-------------|--------------|-------------|--------------|--------------|--------------|
|   | <b>#</b>    | <b>%</b>     | <b>#</b>    | <b>%</b>     | <b>#</b>     | <b>%</b>     |
| Low                                       | 10          | 4.0          | 2           | 3.0          | 12           | 3.8          |
| Moderate                                  | 48          | 19.4         | 8           | 12.1         | 56           | 17.8         |
| Middle                                    | 87          | 35.1         | 20          | 30.3         | 107          | 34.1         |
| Upper                                     | 101         | 40.7         | 36          | 54.6         | 137          | 43.6         |
| NA  | 2           | 0.8          | 0           | 0.00         | 2            | 0.7          |
| <b>Total</b>                              | <b>248</b>  | <b>100.0</b> | <b>66</b>   | <b>100.0</b> | <b>314</b>   | <b>100.0</b> |

The Credit Union's overall level of lending decreased dramatically from 2003 to 2004. The decrease is attributed to the fact that the low interest rates available in 2003 that resulted in the large number of refinancing of residential mortgages were no longer available.

### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

Since City of Boston Credit Union has defined its assessment area as its membership, as opposed to the geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

The Credit Union's fair lending data was reviewed to determine compliance with the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment Act and Fair Lending guidelines. A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. A sample of the Credit Union's approved and denied residential loan application files were reviewed for fair lending. No discriminatory practices were noted.

The Credit Union maintains a Fair Lending Policy Statement that meets the requirements of Regulatory Bulletin 2.3-101.

The Credit Union's staff is comprised of a total of 33 full-time employees and one part-time employee. The Credit Union has a number of bi-lingual employees who are fluent in French, French Creole, Haitian, Portuguese, Spanish, or Chinese.

The Credit Union's marketing efforts appear to adequately reach members of all income levels. The institution evaluates both the products it offers and its product mix to help determine whether those products are responsive to the needs of its members.

In 2003, the Credit Union sponsored a first time homebuyer seminar in conjunction with Members Mortgage.

In 2004, the Credit Union attended a "Bank at Work" forum sponsored by the City of Boston to discuss the Credit Union's products and services with potential members.

### **MINORITY APPLICATION FLOW**

During the period reviewed, the Credit Union received a total of 334 applications reportable under the Home Mortgage Disclosure Act. Of this total, 72 or 21.6 percent were from minority applicants. Of the 72 minority applications, 64 or 88.9 percent were approved.



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Room 242, City Hall, Boston, MA 02201)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.